



1099/1042 TRAINING

Division of Accounts

Trainers:

Christy Payne, Post-Audit Accounting Manager

Katelyn Huckaby, Supplier Maintenance Accounting Manager

10/29/2020

What's New for 2020?

(besides wearing masks everywhere... ☺)

- **Don Shelton is retiring TODAY, October 29th ☺**
 - You will be working with Christy Payne, Katelyn Huckaby, and Mikhel Lindsley this year
 - Send 1099/1042 questions to F_A.Accounts@tn.gov and include in the subject "1099Q"
- **1099-NEC**
 - Nonemployee Compensation (*payment for services, excluding medical*) were formerly reported in Box 7 of the 1099-MISC; will now be reported in Box 1 of the 1099-NEC (*Edison CAT Locations are not changing*)
- **COVID Relief Payments**
 - We will work with specific agencies to ensure accurate reporting

Looking Ahead

- **1099 Corrections**

- Around 13,000 last couple years... let's work to reduce these in the coming years! ☺

- **Keep in mind when entering vouchers:**

1. Choose the appropriate Location (*1099 reportability and bank account*)
 - Query: TN_AP33C_VENDOR_SEARCH
2. Choose the appropriate Address (*Should match remittance address on invoice*)
3. Do not assume the Default Location or Address is correct

- **Process Improvements**

- Turnaround times reduced
- Internal Supplier Registration
- Supplier Update Form

- **Post-Audit Section**

Why We Report

- The **IRS requires** certain payments made to suppliers be reported on an IRS Information Return (*Form 1099 series, etc.*). Reportable **does not** mean taxable.
- Presentation Topics:
 - Form 1099-MISC (*Miscellaneous Income – rent, medical services, legal services*)
 - Form 1099-NEC (*Nonemployee Compensation – services, excluding medical*)
 - Form 1099-G (*Certain Government Payments – grants*)
 - Form 1042-S (*Foreign Suppliers*)
- We will work with agencies to ensure reporting of offline payments (*payments not made through Edison*) and other types of Information Returns that must be issued

Who We Report

Is the Supplier Reportable?

Edison W-9 Business Type	Business Type Description	1099-MISC, 1099-NEC, & 1099-G Reportable Supplier?
01	Individual (not a business)	Yes
02	Joint Account (two or more individuals)	Yes
03	Custodian account of a minor	Yes
04	Trust Account (Revocable Savings Trust/So-Called Trust)	Yes
05	Sole Proprietorship (SSN)	Yes
06	Sole Proprietorship (FEIN)	Yes
07	A Valid Trust, Estate or Pension Trust	Yes
08	Corporation or LLC (Limited Liability Company) electing corporate status on IRS Form 8832 or 2553	No, except for medical services, attorney's fees, or payments to attorneys
09	Association, club, religious, charitable, educational or other non-profit organization	Yes
10	Partnership or Multi-Member LLC (Limited Liability Company)	Yes
13	Tax-Exempt Organizations or Governments	No, except for attorney's fees or payments to attorneys
15	Unknown (W-9 not on file)	Yes, regardless if supplier has Inc. or Corp. in the name

What We Report

Examples of Reportable Payments

Reportable Payments	IRS Form Type	CAT in Edison
Rents: Real Property (such as land, buildings, warehouses, direct billed hotel rooms or other facilities), Equipment (office equipment, machinery, etc.)	1099-MISC	1
Other income (not compensation for services): Awards, Honorariums (see Non-Employee Compensation for speaker fees), Incentives, certain Independent Living payments, Prizes, Punitive Damages	1099-MISC	3
Medical and health care payments: Medical and Dental Services, Ambulance Services, Autopsy Services, Hospitalization, Lab Work, Medical Assistance Benefits (such as payments made by TennCare), Psychological Services, Veterinary Services	1099-MISC	6
Gross proceeds paid to an attorney: Generally from settlement payments*	1099-MISC	14
Nonemployee compensation (professional services/contractors): Advertising, Appraisal, Construction, Consulting, Court Reporting, Expert Witness Testimony, Attorney's Fees, Process Servers, Funeral, Waste, Recycle, Home and Community Based Services, Laundry, Janitorial, Maintenance and Repairs, Security, Temporary Staffing (including Medical Personnel), Training, Speaker Fees, Stipends for services provided, Travel	1099-NEC	7
Taxable Grants (Grants are reportable unless otherwise stated in the legislation of the grant)	1099-G	G

*A request for a listing of settlement payments paid by your agency will be sent

What We Don't Report

Examples of Non-Reportable Payments

- Materials, products, and supplies
- Medical records (unless they are included on the invoice with a medical service)
- Membership dues
- Prescription drugs
- Subscription (magazines, professional journals, etc.)
- Travel claims
- Utilities (including electricity, gas, propane, phone service (cell or landline) and internet service)
- Foster care, guardianship, adoption assistance, etc.

These payments should be coded in Edison with a Location type of MAIN or a city name (for example: NASHVI-001).

We Need Your Help!

- Agencies schedule and review four payment queries in Edison to ensure accurate 1099/1042 reporting

Query Name	Query Description
TN_1099_TO_REPORT	Reportable payments made to reportable suppliers
TN_1099_SLGP_VCHR_PAYMNTS	List of single payment vouchers
TN_1099_RPRT_VDR_NORPRT_PAY	Non-reportable payments made to reportable suppliers
TN_1099_RPRT_VDR_NORPRT_PAY2	Non-reportable payments made to reportable suppliers

- Agency reports **must be** returned by the deadline

Schedule and Review

- 1. Schedule queries in Edison.** Instructions can be found on Pages 7-14 of the 1099 and 1042 Reporting Guide.
 - If no query results, double check to ensure the correct dates were entered.
- 2. Import queries into Excel.** Excel 2010 and 365 import instructions can be found on Pages 15-22 of the 1099 and 1042 Reporting Guide.
- 3. Format and review spreadsheet.** Instructions can be found on Pages 23-26 of the 1099 and 1042 Reporting Guide.

Common Importing Issues

- Data must be imported into Excel in “Text” format, except for the Amount columns. Amount columns must be “General”.
- Instructions found on Page 21 of the 1099 and 1042 Reporting Guide

Text Import Wizard - Step 3 of 3

This screen lets you select each column and set the Data Format.

Column data format

☐ General

☒ Text

☐ Date: MDY

☐ Do not import column (skip)

'General' converts numeric values to numbers, date values to dates, and all remaining values to text.

Advanced...

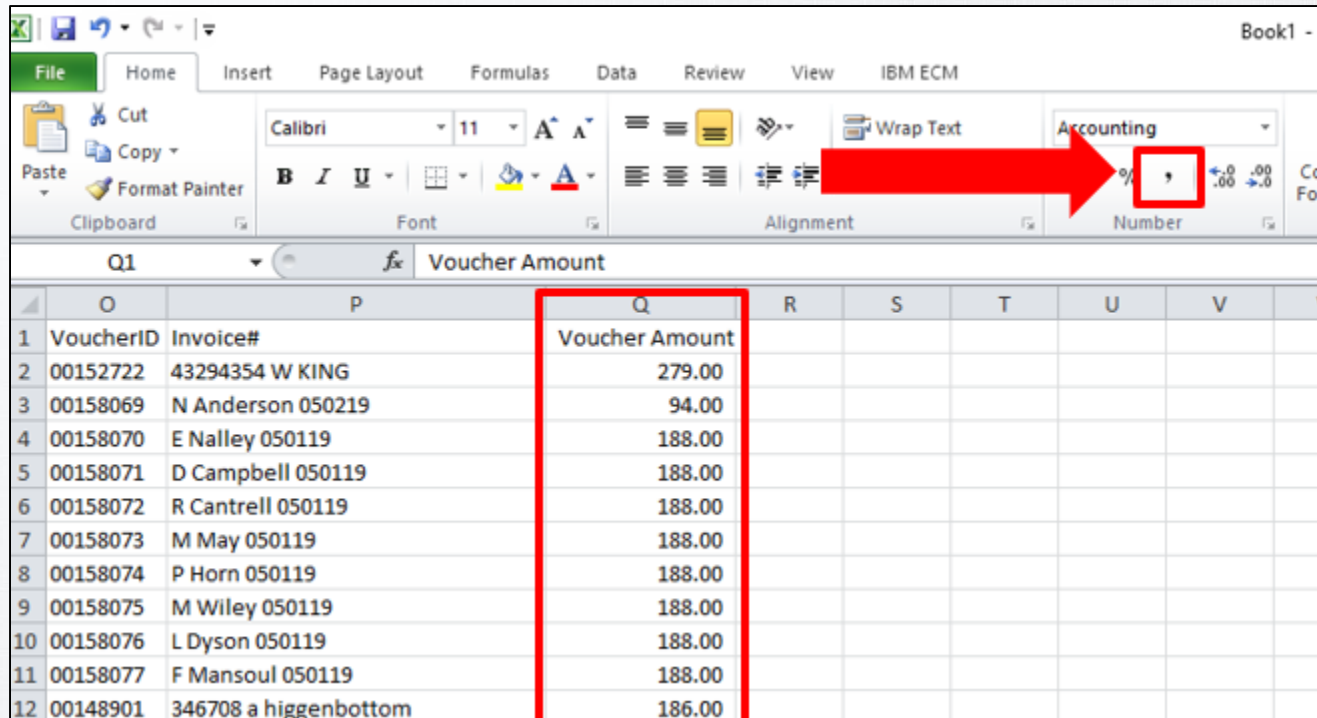
Data preview

Text	Text	Text	Text	Text	General	Text	Text
0	Pymnt Method	PaymentID	VoucherID	Invoice#	Amount	Descr	Account
237	CHK	0005682433	00820281	363016	49.990	jack trailer	7110200
819	CHK	0005682951	00820420	422216	194.200	alternator	7110200
819	CHK	0005682951	00820424	422224	39.360	air filter	7110200
819	CHK	0005682951	00820428	422218	17.000	STOP LEAK	7110200

Cancel < Back Next > Finish

Common Formatting Issues

- Once in Excel, amount columns must be formatted in “Accounting” with no symbols and 2 decimal places.
 - Instructions found on Page 22 of the 1099 and 1042 Reporting Guide



The screenshot shows the Microsoft Excel interface with the 'Accounting' number format selected in the ribbon. A red arrow points to the 'Accounting' dropdown menu, and a red box highlights the comma and two decimal places icon. Below the ribbon, a table of voucher data is displayed, with the 'Voucher Amount' column highlighted by a red box.

	O	P	Q	R	S	T	U	V
1	VoucherID	Invoice#	Voucher Amount					
2	00152722	43294354 W KING	279.00					
3	00158069	N Anderson 050219	94.00					
4	00158070	E Nalley 050119	188.00					
5	00158071	D Campbell 050119	188.00					
6	00158072	R Cantrell 050119	188.00					
7	00158073	M May 050119	188.00					
8	00158074	P Horn 050119	188.00					
9	00158075	M Wiley 050119	188.00					
10	00158076	L Dyson 050119	188.00					
11	00158077	F Mansoul 050119	188.00					
12	00148901	346708 a higenbottom	186.00					

Common Review Issues

- Do not split vouchers
 - If part of the voucher is reportable, then the entire voucher is reportable unless the reportable portion is incidental.
 - Example: *A truck was repaired by a sole proprietor. Labor cost \$1,400, parts cost \$600. A 1099 is issued for \$2,000 to the Supplier.*
 - Example: *Copy paper was purchased for \$800; delivery charge was \$50. A 1099 is not issued to the supplier because copy paper is a product, and the delivery charge is incidental to the product.*
- Columns may be hidden, but **not** deleted
- Only add columns to the **right** side of the spreadsheet
- If the spreadsheet is **not formatted correctly**, it will be returned for correction

TN_1099_TO_REPORT

- **All** payments on this query **will** be reported on the appropriate 1099 form **unless** you tell us to exclude or correct
- Add **two** columns to the **right** side of the spreadsheet titled **“Exclude or Correct”** and **“Reason”**

Bus Unit	Form	Category/ Box	Location	Vdr IRS Name	W-9 Bus Typ	VoucherID	Voucher Amount	Exclude or Correct	Reason
XXXXX	1099	06	CAT6-001	John Doe	06-Sole Proprietor - With Emp	00012345	1,000.50	7	Consulting services
XXXXX	1099	07	CAT7-001	ABC Company LLC	08-Corporation	00012346	525.00	E	Not medical or attorney's fees
XXXXX	1099	07	CAT7-001	Jane Miller	06-Sole Proprietor - With Emp	00012347	2,000.00	1	Rent
XXXXX	1099	07	CAT7-001	XYZ Supplies	10-Partnership	00012348	3,000.00	E	Supplies
XXXXX	1099	03	CAT3-001	Jeremy Smith	01-Individual	00012349	125.00	G6	1099-G

TN_1099_SLGP_VCHR_PAYMNTS

- **No** payments on this query **will** be reported on a 1099 **unless** you tell us to report
- Add **five** columns to the **right** side of the spreadsheet titled **“Supplier ID”, “TIN”, “Format”, “Type”, and “CAT”**. If the payment is reportable, complete these columns as follows:
 - **Supplier ID:** Enter the Edison Supplier ID (leave blank if not applicable).
 - **TIN: *REQUIRED!*** Enter the Tax ID Number as an SSN or FEIN with the appropriate dashes.
 - **Format:** Enter “S” for SSN or “F” for FEIN.
 - **Type:** Enter “1099” for 1099-MISC or 1099-NEC **or** “1099G” for 1099-G.
 - **CAT:** Enter the correct category number for the payment.

Unit	Voucher ID	Invoice#	Vendor Name	Amount	Descr	Supplier ID	TIN	Format	Type	CAT
XXXXX	00012345	963	Scott Jones	1,000.00	Rent	0000123456	123-45-6789	S	1099	1
XXXXX	00012346	2518	Jane Doe	350.00	Training	0000012369	98-7654321	F	1099	7

TN_1099_RPRT_VDR_NORPRT_PAY TN_1099_RPRT_VDR_NORPRT_PAY2

- These queries must be combined and submitted as one report. Save the report as **your business unit and “PAY_PAY2”**
- **No** payments on this query **will** be reported on a 1099 **unless** you tell us to report
- Add **two** columns to the **right** side of the spreadsheet(s) titled **“Type”** and **“CAT”**
- If payments with CAT Locations are found in the query results, you **must** include the payments on your submitted report

Unit	Location	Vdr IRS Name	W-9 Bus Typ	VoucherID	Amount	Descr	Type	CAT
XXXXX	MAIN	DEF Law Firm	08-Corporation	00055561	1,500.00	Attorney's Fees	1099	7
XXXXX	MAIN	Health Care Clinic	08-Corporation	00055562	25,000.00	Medical Services	1099	6
XXXXX	CAT7-001	Sam Apple	05-Sole Proprietor - No Emp	00055563	600.00	Training	1099	7

1042 Reporting – Foreign Suppliers

- The IRS requires certain payments to foreign suppliers be reported on a **Form 1042-S**
- A **foreign supplier** is a non-resident alien individual or foreign company
- Due to the complexity of 1042 reporting, ***all payments*** to foreign suppliers must be included on the 1042 report to F_A.Accounts@tn.gov

Form 1042-S Department of the Treasury Internal Revenue Service		Foreign Person's U.S. Source Income Subject to Withholding 2020 ▶ Go to www.irs.gov/Form1042S for instructions and the latest information.		OMB No. 1545-0096 Copy B for Recipient	
1 Income code 2 Gross income		3 Chapter indicator. Enter "3" or "4" 3a Exemption code 4a Exemption code 3b Tax rate 4b Tax rate		13e Recipient's U.S. TIN, if any 13f Ch. 3 status code 13g Ch. 4 status code	
5 Withholding allowance 6 Net income 7a Federal tax withheld 7b Check if federal tax withheld was not deposited with the IRS because escrow procedures were applied (see instructions) <input type="checkbox"/> 7c Check if withholding occurred in subsequent year with respect to a partnership interest <input type="checkbox"/> 8 Tax withheld by other agents 9 Overwithheld tax repaid to recipient pursuant to adjustment procedures (see instructions)		13h Recipient's GILN 13i Recipient's foreign tax identification number, if any 13j LOB code 13k Recipient's account number 13l Recipient's date of birth (YYYYMMDD)		14a Primary Withholding Agent's Name (if applicable) 14b Primary Withholding Agent's EIN 15 Check if pro-rata basis reporting <input type="checkbox"/> 15a Intermediary or flow-through entity's EIN, if any 15b Ch. 3 status code 15c Ch. 4 status code	
10 Total withholding credit (combine boxes 7a, 8, and 9) 11 Tax paid by withholding agent (amounts not withheld) (see instructions)		12a Withholding agent's EIN 12b Ch. 3 status code 12c Ch. 4 status code 12d Withholding agent's name 12e Withholding agent's Global Intermediary Identification Number (GILIN) 12f Country code 12g Foreign tax identification number, if any		15d Intermediary or flow-through entity's name 15e Intermediary or flow-through entity's GILIN 15f Country code 15g Foreign tax identification number, if any 15h Address (number and street) 15i City or town, state or province, country, ZIP or foreign postal code	
12h Address (number and street) 12i City or town, state or province, country, ZIP or foreign postal code		16a Payer's name 16b Payer's TIN 16c Payer's GILN 16d Ch. 3 status code 16e Ch. 4 status code		17a State income tax withheld 17b Payer's state tax no. 17c Name of state	
13a Recipient's name 13b Recipient's country code 13c Address (number and street) 13d City or town, state or province, country, ZIP or foreign postal code					

(keep for your records)

Form 1042-S (2020)

Reporting 1042 Payments

- Payments to foreign suppliers may be found on any of the 1099 queries
 - If found, copy and paste the 1042 rows to a new Excel worksheet with the same column headings
 - If payments to foreign suppliers are found on the **TN_SLGP_VCHR_PAYMNTS** query, contact F_A.Accounts@tn.gov immediately
- Add **three** columns to the **right** side of the spreadsheet titled:
 - "Description of Payment"
 - "Where Work was Performed" (*only required for payment for services*)
 - "Number of Days Present in the U.S." (*only required for payment for services*)

Bus Unit	Form	Category/ Box	Location	Vdr IRS Name	W-9 Bus Typ	VoucherID	Voucher Amount	Description of Payment	Where Work Was Performed	Number of Days Present In U.S.
XXXXX	1042	1	MAIN	Can Consulting Inc	08-Corporation	00012521	6,523.65	Consulting Services	U.S.	5
XXXXX	1042	1	1042-001	Medical Supply Corp	08-Corporation	00013625	1,612.00	Products		

Preparing Submission of Reports

- **After reviewing and entering your corrections:**
 - **Unhide** all columns and **unfreeze** all panes
 - Filter the data to include **only** the data that requires correcting then copy and paste the data that needs to be corrected into a **new** Excel workbook (*separate workbooks for each report*)
- **Naming your reports:**
 - Save your new workbook as your business unit, name of the query, and the period for which the query was ran, for example:
 - 30101_TN_1099_TO_REPORT_JAN_OCT
 - 30101_TN_1099_SLGP_VCHR_PAYMNTS_JAN_OCT
 - 30101_TN_PAY_PAY2_JAN_OCT
 - 30101_1042_REPORT_JAN_OCT
- **Don't wait!** Send the workbooks **as they are completed** rather than waiting until all four queries have been reviewed

Submission Requirements

- Email 1099 and 1042 reports to F_A.Accounts@tn.gov
- The **subject line** of the email must contain your business unit and the name of the report, for example:
 - 30101_TN_1099_TO_REPORT
 - 30101_TN_1099_SLGP_VCHR_PAYMNTS
 - 30101_TN_PAY_PAY2
 - 30101_1042_REPORT
- If *multiple* reports are submitted in **one** email, the subject line must contain your business unit and “1099_REPORTS” and “1042_REPORT”, for example:
 - 30101_1099_REPORTS
 - 30101_1099_REPORTS_1042_REPORT
- If you do not have any 1099 corrections to report, you must send an email stating so. You do not have to attach a blank report.

Important Dates to Remember

- **Majority of 1099/1042 process spans November through March**
- **January through October Reports**
 - **Anticipated Start Date: November 4, 2020**
 - Email from F_A.Accounts@tn.gov sent notifying agencies to begin running queries
 - **Anticipated Due Date: November 16, 2020**
 - Reports must be submitted to F_A.Accounts@tn.gov in accordance with 1099 and 1042 Reporting Guide
 - Agency Certification Form (signed by fiscal officer) must be attached to Hyperion Task
- **November through December Reports**
 - **Anticipated State Date: January 4, 2021**
 - Email from F_A.Accounts@tn.gov sent notifying agencies to begin running queries
 - **Anticipated Due Date: January 11, 2021**
 - Reports must be submitted to F_A.Accounts@tn.gov in accordance with 1099 and 1042 Reporting Guide
 - Agency Certification Form (signed by fiscal officer) must be attached to Hyperion Task

Agency Certifications

- Certify:
 - ✓ All **1099 queries** and **1042 payments** have been reviewed and formatted in accordance with the 1099 and 1042 Reporting Guide and all corrections have been submitted to Supplier Maintenance
 - ✓ All **settlements**, including those paid through payroll, and **offline payments**, those paid outside of Edison, have been submitted to Supplier Maintenance in accordance with the 1099 and 1042 Reporting Guide

Contact Information

- Communication is critical.
- Email 1099 and 1042 reports and questions to:
F_A.Accounts@tn.gov
 - If emailing a question, the Subject must include “1099Q”
- Phone contact information for us:
 - Christy Payne – 615-532-5268
 - Katelyn Huckaby – 615-770-1104
 - Mikhel Lindsley – 615-253-3996

Questions?



THANK YOU